

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 355**

February 7, 2017

**SUMMARY OF BILL:** Increases the monetary limitation applicable to the cost of a project for which a contractor may bid, from \$1,500,000 to \$3,000,000, which, if greater than such limitation, requires the audit and attestation of the contractor's financial statements by a licensed or certified public accountant. Increases the monetary limit of the cost of construction projects for a building or warehouse for which a small commercial building contractor may bid, from \$750,000 to \$1,500,000.

**ESTIMATED FISCAL IMPACT:**

**NOT SIGNIFICANT**

Assumptions:

- Pursuant to Tenn. Code Ann. § 62-6-111(b)(3), any licensed contractor in this state who seeks to renew licensure and perform contractor work valued in an amount greater than \$1,500,000 must request an increase in such contractor's monetary limitation and submit financial statements to a licensed or certified public accountant for audit and attestation.
- This review of financial statements, if approved by the Board for Licensing Contractors (BLC), shall approve the contractor to perform work in another major construction classification or specialty classification, as determined by the BLC.
- Increasing the monetary limitation by \$1,500,000 to \$3,000,000 will result in fewer contractors being required to submit to an audit prior to increasing their monetary limitation.
- Any decrease in citations imposed on contractors working outside of their monetary limitations is assumed to be not significant, and will result in no significant decrease in fee revenue.
- Pursuant to BLC rule 0680-01-.16, a small commercial building contractor may bid on and contract for the construction, erection, alteration, repair or demolition of any building or structure for use and occupancy by the general public; the total cost of which does not exceed \$750,000.
- Increasing the monetary limitation by \$750,000 to \$1,500,000 will result in fewer small commercial building contractors being required to attain a different contractor license classification prior to working on projects with a total cost greater than \$750,000.
- The cost of a commercial building contractor's license is identical to that of a small commercial building contractor's license; therefore, the BLC will experience no significant change in licensure fee revenue.

- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over any two- year period. The BLC experienced a surplus of \$553,771 in FY14-15, a deficit of \$1,824,014 in FY15-16, and a cumulative reserve balance of \$2,251,300 on June 30, 2016.

## **IMPACT TO COMMERCE:**

### **Decrease Business Expenditures – Exceeds \$100,000**

Assumption:

- Contractors will experience a decrease in business expenses which are currently incurred to have financial statements audited and attested by licensed or certified public accountants. The cumulative amount of these current business expenditures is unknown, but is reasonably estimated to exceed \$100,000 statewide. Therefore, the recurring decrease in business expenditures is estimated to exceed \$100,000.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb